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FUND'S INFORMATION

Management Company

Arif Habib Investment Management Limited
2 / I, R.Y. 16, Old Queens Road, Karachi-74000, Pakistan.

Board of Directors of the Management Company

Mr. Salim Chamdia	Chairman
Mr. Nasim Beg	Chief Executive
Mr. Sirajuddin Cassim	Director
Mr. Muhammad Akmal Jameel	Director
Mr. Muhammad Kashif Habib	Director
Mr. Muhammad Shafi Malik	Director
Mr. Yacoob Memon	Director

Company Secretary & CFO of the Management Company

Syed Ajaz Ahmed

Audit Committee

Mr. Muhammad Shafi Malik	Chairman
Mr. Muhammad Akmal Jameel	Member
Mr. Yacoob Memon	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
Progressive Plaza, Suit # M-13-16,
Mezzanine Floor, Beaumont Road, Karachi.

Bankers of the Fund

- Arif Habib Bank Limited
- Allied Bank Limited
- Bank Al Habib Limited
- Bank of Punjab
- Habib Metropolitan Bank Limited
- MCB Bank Limited
- Meezan Bank Limited
- Standard Chartered Bank (Pakistan) Limited
- United Bank Limited

Auditors

A.F. Ferguson & Co. - Chartered Accountants
State Life Building No. 1-C,
I.I. Chundrigar Road, Karachi - 74000.

Legal Advisor

Kabraji & Talibuddin
64-A/1, Gulshan-e-Faisal,
Bath Island, Karachi-75530

Registrar

Gangjees Registrar Services (Pvt.) Limited
Room No. 516, 5th Floor, Clifton Centre,
Kehkashan Clifton, Karachi.

Distributors

- Arif Habib Bank Limited
- Allied Bank Limited
- Bank Al Habib Limited
- The Bank of Punjab
- Citibank N.A
- IGI Investment Bank Limited
- National Bank of Fujairah, Dubai, UAE
- Standard Chartered Bank (Pakistan) Limited

Rating

- PACRA : 5 Star (Normal)
- PACRA : 5 Star (Long Term)
- PACRA : AM2 (Positive Outlook) - Management Company

MISSION STATEMENT

Pakistan Income Fund's mission is to provide investors the facility to benefit from an investment portfolio of debt securities and money market transactions, which optimises return with an emphasis on minimising risk.

**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED 30TH JUNE 2008**

The Board of Directors of Arif Habib Investment Management Limited, the Management Company of the Pakistan Income Fund (PIF), is pleased to present its seventh annual report together with audited Financial Statements for the Financial Year ended 30th June 2008.

Fund Objective

The objective of the Fund is to deliver regular income and preservation of capital, primarily from debt and fixed income securities investments.

Fund Profile

PIF is an open end Fund, which invests in investment grade corporate securities, government securities, spread transactions, CFS, clean placements, TDRs and short maturity reverse repurchase transactions. The overall duration of the portfolio is kept below two years, in order to keep interest rate risk at a relatively low and manageable level. PIF is a long only fund. Under the Non Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulation), it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Funds Performance during Financial Year ended 30th June 2008

The net assets of the Fund as at 30th June 2008 stood at Rs 6,070 million. The ex-dividend Net Assets Value (NAV) per unit at the start of the year was Rs 50.22. With an increase of Rs 4.56 in the NAV per unit during the year, the NAV per unit as on 30th June 2008 was Rs 51.48 after interim distribution of Rs 3.30 per unit. The Fund earned a total return of 9.23% per annum during the year.

Earning Per Unit (EPU)

EPU have not been disclosed as we feel determination of weighted average units for calculating EPU is not practicable for open end funds.

Income Distribution

The Board in the meeting held on 3rd July 2008 has declared final distribution in the form of bonus units to A class units and equivalent cash dividend for B class units for the year ended 30th June 2008 of Rs 1.45 per unit. Interim Distribution already paid amounted to Rs 3.30/- per unit hence total distribution for the Financial Year 2008 is Rs 4.75/- per unit (9.46% on the opening Ex-NAV and 9.50% of face value for Financial Year 2008).

Comments on Auditor's Qualification

As explained in Note 3.4 to the Financial Statement, uptill 25th November 2007 the investments in government securities were being marked to market on the basis of quotes obtained from reputable brokers. This practice was being followed to avoid distortion in the calculation of NAV as the units are offered for sale on continuous basis and this practice was also fair to all investors and protected their interest. However, it was not in line with NBFC Rules 2003, which required un-listed securities to be reported at cost. On 21st November 2007, SECP issued NBFC Regulation, which required all government securities to be valued on the basis of average rate quoted on widely used electronic system (Reuters). The Fund has since adopted this practice and is now compliant with the applicable regulation.

As explained in Note 3.4 to the Financial Statements, till 18th December 2007 the Term Finance Certificates (TFCs) in the Fund's portfolio were not valued at prices quoted on stock exchanges as required by the NBFC Rules, 2003 since most of the TFC transactions occur in Over the Counter market through money market brokers and not on the stock exchanges. As a result, the prices quoted on the stock exchanges were not representative of the actual traded prices and therefore TFCs were valued using rates of the last transaction (purchase price) executed by the Fund in the relevant TFC adjusted for the effect of partial redemption, if any, after the date of transaction. Subsequently, the policy for valuation was revised in line with NBFC Regulations, 2007 according to which, investment in TFCs are now being valued on the basis of the rate notified by the Mutual Funds Association of Pakistan.

We believe that the policy adopted previously by the Fund was fair to all investors and protected their interest.

Corporate Governance

The Fund is listed on the Karachi Stock Exchange. Hence the Management Company is required to comply with the requirements of the Code of Corporate Governance for listed companies. The Financial Statements prepared by the Management Company present fairly the state of affairs of the Fund and results of its operations, Cash Flows and Movement in Unit Holders' fund. Proper books of account of the Fund have been maintained and appropriate accounting policies have been consistently applied in preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of Financial Statements. The system of internal control is sound in design and has been effectively implemented and monitored. There are no events or conditions which create a doubt about the Fund's ability to continue as going concern. There has been no material departure from the best practices of Corporate Governance, as detailed in listing regulations. Key financial data is summarized in the Financial Statements. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the Financial Statements. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company. The detailed pattern of Unit Holding, as required by the NBFC Regulation and Code of Corporate Governance is given in the annual report.

Statement showing attendance of Board meetings is as under:

Attendance of Board Meetings
From 1st July 2007 to 30th June 2008

S. No.	Name	Meetings		
		Total	Attended	Leave Granted
1.	Mr. Salim Chamdia	12	12	-
2.	Mr. Nasim Beg	12	12	-
3.	Mr. Sirajuddin Cassim	12	-	12
4.	Mr. Muhammad Akmal Jameel	12	11	1
5.	Mr. Muhammad Kashif Habib	12	6	6
6.	Mr. Muhammad Shafi Malik	12	10	2
7.	Mr. John Kirkham	12	2	10
8.	Mr. Mirza Qamar Beg	12	10	2

On 21st August 2007 Mr. John Kirkham, the Chairman of the Board resigned and Mr. Salim Chamdia was appointed in his place on 6th October 2007. On 15th September 2007, Mr. Mirza Qamar Beg was appointed as director however he resigned from directorship on 3rd July 2008 and Mr. Yacoob Memon is appointed on 25th July 2008.

The trades in Units of the Fund carried out by the Directors, CE, CFO/Company Secretary of the Management Company and their spouses and minor children are as under:

S. No.	Name	Designation	Investment	Redemption	Bonus
			<i>(Number of Units)</i>		
1.	Mr. Nasim Beg	Chief Executive	142,744	139,386	448
2.	Syed Ajaz Ahmed	Company Secretary & CFO	55,967	13,344	632

External Auditor

As recommended by the Audit Committee the Board of Directors of the Management Company has reappointed M/s. A.F. Fergusons & Co., Chartered Accountants, as the Fund's auditors for the year ending 30th June 2009.

Future Outlook

In the backdrop of rising inflation and high twin deficits, tight monetary conditions are expected to prevail in the near future. Given this situation, PIF has made higher allocation in good quality TFCs with floaters which is expected to be re-fixed at higher rates in the coming months. In addition, substantial allocation has been made in high yielding CFS market and other short tenor instruments to avoid price knocks and rising interest rates. Overall we expect that PIF has the capacity to provide higher returns compared to that of last year.

Acknowledgment

The Board is thankful to its valued investors, the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, the Trustees of the Fund, Central Depository Company of Pakistan Limited and the management of the Karachi Stock Exchange for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the meticulous management of the Fund.

For and on behalf of the Board

Karachi
25th July 2008

Nasim Beg
Chief Executive

**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED 30TH JUNE 2008**

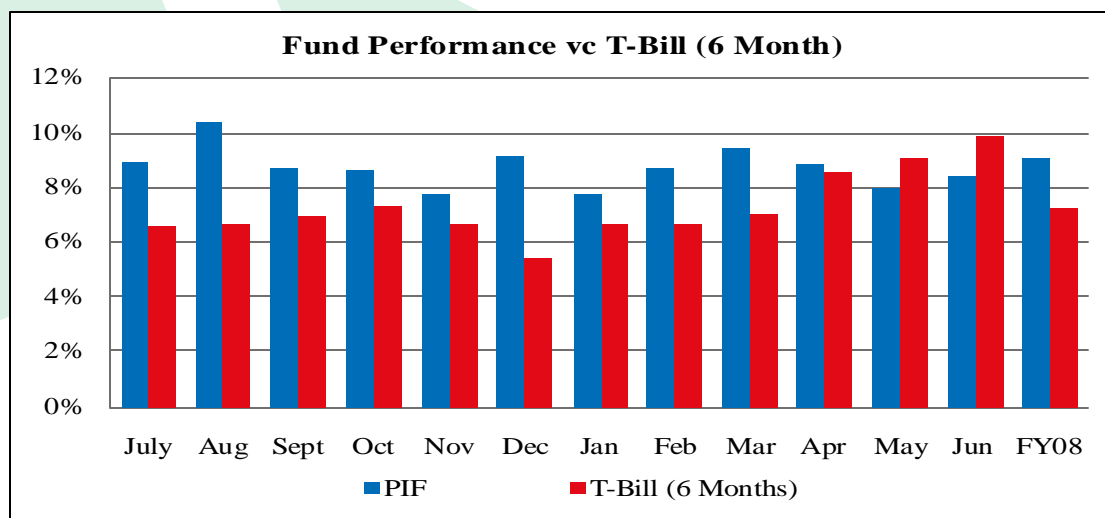
Fund Objective

The objective of the Fund is to deliver regular income and preservation of capital, primarily from debt and fixed income securities investments.

Fund Performance

PIF earned a total annualized return of 9.23% during the year ended 30th June 2008, compared to 7.23% on its internal benchmark and 9.66% on its external benchmark (6 months T-bill).

During this period, the funds under management fell to Rs 6,070 million from Rs 9,406 million on 30th June 2007 due to across the board redemptions in the debt and income mutual funds in the last quarter. The PIF net assets stood at Rs 11,173 million on 31st March 2008. The Fund introduced the policy of declaring quarterly dividends from the quarter ended March 2008 in order to provide better periodic net-of-tax returns to investors. PIF declared a quarterly dividend of Rs 1.45 per unit on 30th June 2008. Hence the total dividend declared during the year amounted to Rs 4.75 per unit.



	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY08
PIF %	8.93	10.50	8.84	8.73	8.01	9.28	7.86	8.83	9.60	8.96	8.14	8.59	9.23
Benchmark %	6.64	6.81	6.63	6.81	6.56	7.13	6.80	6.41	7.19	7.21	8.69	10.80	7.23

PAKISTAN INCOME FUND

NAV Change Analysis and Total Return

	FY2005-06	FY2006-07	FY2007-08
Beginning net assets (Rs 000)	3,706,522	5,615,818	9,405,960
No. of Units	74,056,204	112,070,537	187,305,871
Beginning NAV (Ex Dividend) (Rs)	50.05	50.11	50.22
Ending Net Assets (Rs 000)	5,686,587	9,405,960	6,070,069
No. of Units	103,186,789	169,577,974	117,912,876
Ending NAV (Rs)	55.11	55.47	51.48
Interim Distribution (Rs)	-	-	3.3
Final Distribution (Rs.)	5.00	5.25	1.45
Ending NAV (Ex-Dividend) (Rs)	50.11	50.22	50.03
Income Distribution (%)	9.99	10.48	9.46
Capital Growth (%)	0.12	0.22	-0.23
Total Return (%)	10.11	10.70	9.23

	Total Return (%)	Annualized Return (CAGR %)
1 year	9.23	9.23
2 year	10.70	9.97
3 year	10.11	10.03

Asset allocation during financial year 2008

PIF's investment remained in line with its stated objective. The major asset class during Financial Year 2008 was (CFS), averaging 28.61% of Fund size due to relatively higher rate of return in this asset class. The proportion of funds invested in TFCs has increased considerably during the year to 44.04% at end June 2008 (from 19.39% at the start of the year). Although a part of this increase was due to additions and portfolio revaluation, a substantial increase in proportion is due to the reduction in PIF fund size. Average investment in Term Finance Certificates was 29.48%. PIF remained invested only in good quality TFCs with average rating of AA-. The Fund's average investment in Government Securities (T-bill/PIBs) stood at 7.89%. During the year, the Fund made an allocation of 5.11% of net assets in TDR/COIs. The Fund also deployed a minimal amount in Ready /Future spread transactions. Average 23.46% of the fund was in bank deposits.

Market Review

During Financial Year 2008, interest rates moved up as SBP tightened the monetary policy amid increasing Government borrowing and rising inflation. At the start of the

year, SBP increased its policy discount rate by 50 bps to 10.00% from 9.50%. Later, SBP further increased discount rate by 50 bps in February 2008 to 10.50%. Finally, on 23rd May 2008, SBP, in the wake of heavy pressure on Pak Rupee, opted to increase discount rate by 150 bps to 12.00%. Such measures by SBP and other variables resulted in changes in the performances of all investible asset classes in PIF. During the year, benchmark 6 months KIBOR increased by over 400 bps, from 10.01% to 14.19%.

Government bonds:

The benchmark PIB yields (10 years) increased by over 300 bps during the year to 13.42% in the last auction of Financial Year 2008 held on 28th June 2008. Similarly, 6-months and 1-year maturity T-bills cutoffs rose 259 bps and 258 bps during the year to 11.49% and 11.74%, respectively.

Continuous Funding System (CFS):

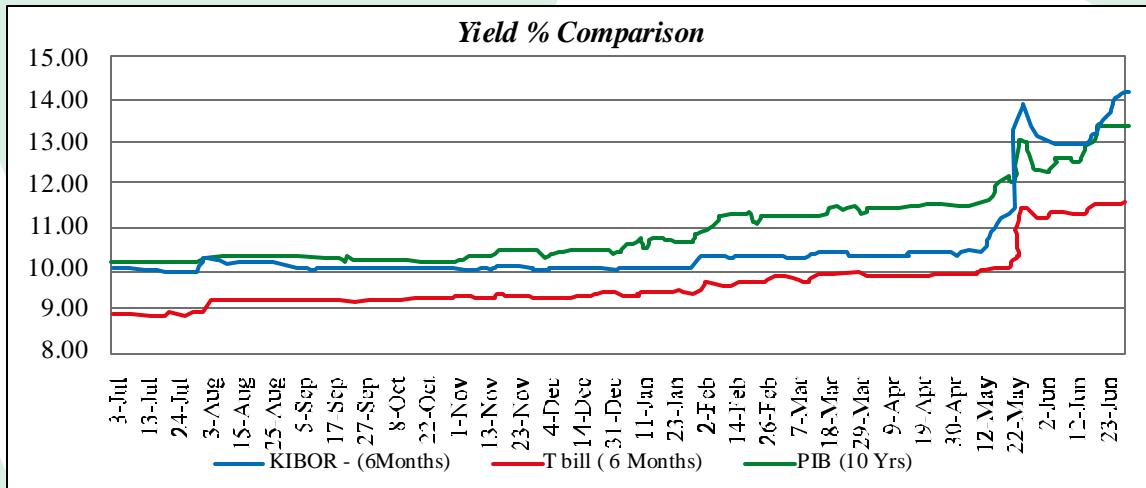
The average CFS started at 11.69% which decreased to 10.60% by September 2008 due to heavy induction of funds in this class in view of better short term returns compared to other asset classes. However, during the last quarter, the CFS rates surged and closed at 16.55% at the end of the year.

Corporate Bonds (TFCs):

Buying interest in TFCs remained robust almost throughout the year where participants seemed eager to lock their funds in inflation protected floaters. By the end of the third quarter 2008, the spread between benchmark (PIB 10 years) and good quality (AA- or better rated) TFCs practically vanished in view of high demand and limited supply. Such developments gave opportunity to issuers who were able to price their TFCs at 85 bps over KIBOR. However, the scenario changed after the discount rate hike in May 2008 followed by liquidity crunch in the system. The selloff pressure in the last two months of Financial Year 2008 eroded the premiums on the bonds and good quality instruments were seen changing hands at discount or par value.

COIs/TDRs:

The deposit market attracted major inflows during the second half of Financial Year 2008 where banks, DFIs and NBFCs were able to attract substantial long term funds in view of lower yields offered by other venues. Initially, profit rates for 3 to 6 months placements were seen at around 9% to 10%. The last quarter of the year saw heavy demand for term deposits and profits rates rose to 13.00% for 3 months to 6 months deposits in the wake tight liquidity in the system.



Economic Review

Growth Takes the Toll

GDP growth fell to 5.8% in Financial Year 2008, significantly lower than the targeted 7.2%. Large scale manufacturing grew by a dismal 4.8% and agriculture by a mere 1.5%. However, the services sector, insulated from all the gloom developing in the economy, exceeded its target of 7.2%, registering 8.2% growth rate, an indication that consumer confidence remained largely intact in this area.

The Challenge of the Twin Deficits

Exports increased during Financial Year 2008 by 13.2% to USD 19.2 billion whereas imports rose by 30.9% to USD 39.9 billion. The result was a significantly large trade deficit of USD 20.7 billion, an increase of 52.9%. This in turn has impacted the current account, which has gone up to 8.2% of GDP in Financial Year 2008. As a result foreign reserves have been put under pressure which in October stood at over USD 15 billion, have shrunk to USD 11.2 billion. Further the Rupee has depreciated by 13% during the year amid the rising trade and current account deficits. The fiscal deficit narrates a similar tale; subsidies amounted to Rs 407 billion against a budgeted Rs 113 billion, had prompted increased borrowing from the Central Bank thus creating inflationary pressures. Increase in the cost of doing business has hurt the investment climate causing a decline in investment as a percentage of GDP from 22.9% to 21.6%. The fiscal deficit at present stands at 7.0% of GDP, significantly surpassing the limit of 4-4.5 % of GDP the GoP has to follow under Fiscal and Debt Responsibility Act 2005.

A New Era of Inflation

In Financial Year 2008, prices of key commodities had gone up considerably high. Of particular significance was oil which since June 07 has more than doubled, with highly sensitive developing economies suffering the most. Prices of almost every major input to production have increased with dizzying speed, bringing down equity valuations across the globe. In Pakistan, like the rest of the world, inflation has hit both the individuals and industry with full vigour, average CPI since June has increased by 12%.

Future Outlook

The Year Ahead; a Time for Making Adjustments

There has been a gross realization of the seriousness of the global economic situation and central banks, governments and individuals are making adjustments in order to escape the brunt of inflation. The US Federal Reserve Bank, after an aggressive rate cutting in order to avert an economic crisis, is now poised to increase rates, along with the European Central Bank and other central banks in emerging markets. In this context, Pakistan's aggressive interest rate policy is not unique, but an amalgamation with the growing awareness of most other central banks that a tight monetary stance has become imperative in order to contain monetary overhang and the global commodities boom. In addition to this, emerging economies are currently running higher budget deficits primarily due to heavy spending on subsidies (oil and food). Like other countries, the Pakistan government too has indicated that subsidies are not a solution to the problem and therefore, international price increase of oil and food will be passed on to domestic consumers.

Twin deficits should improve

The government has put in place arrangements for raising approximately USD 10 billion external inflows in 2009 (compared to USD 3.3 billion similar inflows in 2008). This will include in particular Saudi Oil Facility, U.S Economic/Defence Assistance, World Bank and the Asian Development Bank. In addition, the government is targeting to reduce trade deficit by increasing exports up to 15% without imports accelerating significantly. All these measures should help in reducing current deficit to 6% of GDP in 2009 from 8.2% last year.

In order to control high fiscal deficit (presently 7% of GDP), the government has started to pass on the international oil price increase to domestic users and is aiming to reduce overall subsidies to Rs 295 billion from Rs 407 billion last year. In addition, the deferred oil payment facility (one third of Pakistan import) of USD 5 billion will create the necessary fiscal space for the government and which will lead to less borrowing from the Central Bank.

High Interest Rate Environment to Persist

After a total of 250 basis points rise in rates in Financial Year 2008 (discount rate is now at 12%) accomplished through three revisions in the year, we can see further increase in interest rates if inflationary pressure stays strong in coming months.

Other Disclosures under NBFC Regulations 2007

The Fund manager hereby makes the following disclosures as required under the NBFC Regulations 2007.

- a. The Management Company or any of its delegates did not receive any soft commission (goods and services) from any of its brokers/dealers by virtue of transactions conducted by the Fund.
- b. There was no unit split undertaken during the year.
- c. The Fund Manager is not aware of any circumstances that can materially affect any interests of the Unit Holders other than those already disclosed in this report.
- d. Statement of unit holding by size given in the annual report.

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

The Pakistan Income Fund (Fund), an open-end mutual fund was established under a trust deed dated 23rd October 2001, executed between Arif Habib Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended 30th June 2008 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) and the constitutive documents of the Fund.

For the purpose of information, the attention of the unit holders is drawn towards note 3.4 (a) and 3.4 (b) of the financial statements wherein it is specified that previously the basis of valuation of Term Finance Certificates (TFC's) and Government Securities were not in line with the requirements of the NBFC Rules, however, subsequent to promulgation of NBFC Regulations the TFC's and Government Securities are valued in accordance with the requirements of the NBFC Regulations.

Karachi
12th September 2008

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

**STATEMENT OF COMPLIANCE WITH THE CODE
OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 30TH JUNE 2008**

This statement is being presented by the Board of Directors of Arif Habib Investment Management Limited, the Management Company of the Pakistan Income Fund (Fund) to comply with the Code of Corporate Governance contained in Regulation No.37, of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors however, none of the directors on the Board represent minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred during the year in the Board of the Management Company due to resignation of Mr. John Kirkham on 21st August 2007 which was filled by Mr. Mirza Qamar Beg on 15th September 2007.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and circulated for signatures to all employees of the company.
6. The Board has developed mission statement and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive (CE) has been taken by the Board. There is no other executive director of the company besides the CE.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated and signed by the Chairman of the meeting of the Board of Directors.

9. An orientation course has been conducted for all the directors of the company to inform them about regulatory updates, NBFC Rules 2003 and NBFC & Notified entities Regulations, 2007.
10. During the year, appointment of Head of Internal Audit was made by the Board. The Board has approved appointment, remuneration and term and conditions of the employment of Head of Internal Audit.
11. The roles and responsibilities of the Chairman and Chief Executive have been approved by the Board of directors.
12. The directors' report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The directors, CE and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The financial statements of the Fund were duly endorsed by CE and CFO of the Management Company before approval of the Board.
15. The Management Company has complied with all the significant corporate and financial reporting requirements of the Code relevant to the Fund.
16. The Board has formed an audit committee for the Fund. It comprises of three members, all of whom are non-executive directors including the Chairman of the committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. There exists an effective internal audit function within the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Karachi
25th July 2008

Nasim Beg
Chief Executive

REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Arif Habib Investment Management Limited, the Management Company of **Pakistan Income Fund** to comply with the listing regulation No.37 of the Karachi Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30th June 2008.

Karachi
25th July 2008

A.F. Ferguson & Co.
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Pakistan Income Fund**, which comprise the statement of assets and liabilities as at 30th June 2008, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

- i. As explained in note 3.4(a) to the financial statements, investments of the Fund in Term Finance Certificates had been valued upto 18th December 2007 on the following basis:
 - (a) Using the rates of the last transaction (purchase or sale) executed by the Fund in the relevant Term Finance Certificates, adjusted for the effect of partial redemption, if any, in the Term Finance Certificates after the date of transaction; or
 - (b) Using the quotes available at the stock exchange adjusted for the effect of partial redemption.

The revaluation of Term Finance Certificates using the rate of the last transaction executed by the Fund was not in accordance with the requirement of Rule 2(xxxiv) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which required that a security which is quoted on the stock exchange should be valued at its last sale price on such exchange on the date on which it is valued. The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 were amended on 21st November 2007 and the requirements to compute the net assets of a collective investment scheme are now laid down in Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007. This Regulation requires that investment in Term Finance Certificates should be valued at rates notified by the Mutual Funds Association of Pakistan. Accordingly, with effect from 19th December 2007, the Fund has now changed the basis for determination of the fair value of its investments in Term Finance Certificates to comply with the requirements of the new Regulations.

Had all the Term Finance Certificates been valued upto 18th December 2007 on the basis of the quotes available at the stock exchange, the net asset value of the Fund calculated during the year would have been different and consequently the number of units issued / redeemed during the year as well as element of income / loss and capital gains / losses included in the prices of units issued less those in units redeemed recorded by the Fund would also have been different. These effects have not been quantified as it was impracticable to do so.

- ii. As explained in note 3.4(b) to the financial statements, investments of the Fund in government securities had been valued upto 25th November 2007 using the average of the mid-rates obtained from reputable brokerage houses. This practice was not in accordance with the requirement of Rule 2(xxxiv) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which required these securities to be carried at the investment price. The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 were amended on 21st November 2007 and the requirements to compute the net assets of a collective investment scheme are now laid down in Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007. This Regulation requires that investment in government securities should be valued on the basis of rates announced by the Financial Markets Association. Accordingly, with effect from 26th November 2007, the Fund has changed the basis for determination of the fair value of these investments to comply with the requirements of the new Regulations.

Had the government securities been valued at their investment price upto 25th November 2007 as required by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the net asset value of the Fund calculated during the year would have been different and consequently the number of units issued/ redeemed during the year as well as element of income / loss and capital gains / losses included in the prices of units issued less those in units redeemed recorded by the Fund would also have been different. These effects have not been quantified as it was impracticable to do so.

Qualified Opinion

In our opinion, except for the effects of the matters described in paragraphs (i) and (ii) above, the financial statements give a true and fair view of the state of the Fund's affairs as at 30th June 2008 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

The financial statements of the Fund for the year ended 30th June 2007 were audited by another firm of Chartered Accountants who in addition to the qualification in respect of the matter discussed in paragraph (ii) above, had also included the following qualification in respect of the matter discussed in paragraph (i) above in their report dated 21st July 2007:

“The investment of the Fund in Term Finance Certificates was not marked to market on the basis of the rates quoted on the stock exchange as per the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Instead the investment of the Fund in Term Finance Certificates was valued on the basis of the rates obtained from stock exchange website adjusted for the effects of partial redemption of the principal amount of these certificates which had not been incorporated in these rates. Had the Term Finance Certificates been valued at the last sale price quoted on the stock exchange, the carrying value of the investment as at 30th June 2007 would have been higher by Rs 123.684 million with corresponding effect on income and unit holders' fund. In addition, as the Net Asset Value of the Fund was not determined strictly in accordance with the NBFC Rules, it would have been different and consequently the number of units issued/ redeemed as well as the element of accrued income/ (loss) and capital gains/ (losses) included in units issued less those in units redeemed recorded by the Fund were also affected. These effects have not been quantified, as it was not practical to do so.”

Karachi
25th July 2008

A.F. Ferguson & Co.
Chartered Accountants

**STATEMENT OF ASSETS AND LIABILITIES
AS AT 30TH JUNE 2008**

	Note	2008 ----- Rupees in '000 -----	2007
ASSETS			
Bank balances	4	1,168,583	5,643,153
Receivable against sale of Investments		149,903	51,080
Receivable against sale of units		111,318	264,830
Investments	5	2,323,949	1,501,524
Loans and receivables	6	825,000	-
Receivable against Continuous Funding System (CFS) transactions	7	1,043,412	1,521,438
Dividend and profit receivable	8	110,218	105,721
Advances, deposits, prepayments and other receivables	9	369,348	370,677
Total assets		6,101,731	9,458,423
LIABILITIES			
Payable to Arif Habib Investment Management Limited - Management Company	10	5,615	10,891
Payable to Central Depository Company of Pakistan Limited - Trustee	11	712	1,122
Payable to Securities and Exchange Commission of Pakistan	12	9,375	6,519
Payable against purchase of Investments		-	655
Payable on redemption of units		11,972	8,933
Accrued expenses and other liabilities	13	3,988	24,343
Total liabilities		31,662	52,463
NET ASSETS		6,070,069	9,405,960
Unit Holders' Funds (as per statement attached)		6,070,069	9,405,960
COMMITMENTS			
	14	Number of units	
Number of units in issue		117,912,876	169,577,974
		Rupees	
Net asset value per unit	3.10	51.48	55.47

The annexed notes 1 to 29 form an integral part of these financial statements.

**For Arif Habib Investment Management Limited
(Management Company)**

Chief Executive

Director

**INCOME STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2008**

	Note	2008	2007
		----- Rupees in '000 -----	
INCOME			
Gain on sale of investments		28,539	6,822
Income from Term Finance Certificates and Sukuk bonds		313,965	186,210
Income from Government Securities		67,723	9,779
Income from Continuous Funding System transactions		312,484	373,487
Income from Certificates of Investment and Term Deposit Receipts		49,172	55,132
Income from reverse repurchase transactions		21,973	363
Profit on bank accounts		221,303	183,646
Other Income		461	938
Unrealised appreciation in the value of investments at fair value through profit or loss - net	5.1	12,192	18,686
Unrealised gain / (loss) on revaluation of futures contracts		(46)	-
Total Income		1,027,766	835,063
EXPENSES			
Remuneration of Arif Habib Investment Management Limited - Management Company		136,197	97,792
Remuneration of Central Depository Company of Pakistan Limited - Trustee		10,375	7,516
Annual fee - Securities and Exchange Commission of Pakistan		9,375	6,519
Borrowing cost	15	2,675	-
Securities transaction cost		31,029	47,308
Settlement and bank charges		7,538	8,173
Fees and Subscription		347	200
Legal and Professional Charges		256	158
Auditors' Remuneration	16	708	564
Amortization of preliminary expenses and floatation costs		-	333
Printing and related cost		235	-
Total Expenses		198,735	168,563
Net income from operating activities		829,031	666,500
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		13,142	251,641
Net income		842,173	918,141
Earnings per unit	3.11		

The annexed notes 1 to 29 form an integral part of these financial statements.

**For Arif Habib Investment Management Limited
(Management Company)**

Chief Executive

Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2008**

	2008 ----- Rupees in '000 -----	2007 ----- Rupees in '000 -----
Undistributed income brought forward	927,171	526,911
Final distribution for the year ended 30 th June 2007: Rs 5.25 per unit (Date of distribution: 4 th July 2007) (2006: Rs 5.00 per unit)	(890,295)	(515,934)
Interim distribution 2008: Rs. 3.30 per unit (Date of distribution: 29 th March 2008) (2007: Nil)		
- Cash Distribution	(286,924)	-
- Bonus units	(417,558)	-
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased - amount representing income / (losses) that form part of the unit holders' fund	(30)	(1,947)
Net income for the year	842,173	918,141
Undistributed income carried forward	<u>174,537</u>	<u>927,171</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

**For Arif Habib Investment Management Limited
(Management Company)**

Chief Executive

Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2008**

	2008	2007
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	842,173	918,141
Adjustments		
Unrealised appreciation on investments at fair value through profit or loss - net	(12,192)	(18,686)
Amortization of preliminary expenses and floatation costs	-	333
Remuneration of Arif Habib Investment Management Limited - Management Company	136,197	97,792
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10,375	7,516
Unrealised loss on revaluation of derivative	46	-
Net element of income and capital (gains) / losses included in prices of units issued less those in units redeemed	(13,142)	(251,641)
	<u>963,457</u>	<u>753,455</u>
(Increase) / decrease in assets		
Receivable against Continuous Funding System (CFS) transactions	478,026	587,597
Receivable against sale of Investments	(98,823)	162,214
Advances, deposits, prepayments and other receivables	1,329	(363,991)
Investments	(810,235)	(98,336)
Loans and receivables	(825,000)	-
Dividend and profit receivable	(4,497)	17,732
	<u>(1,259,200)</u>	<u>305,216</u>
Increase / (decrease) in liabilities		
Accrued expenses and other liabilities	(20,401)	(49,274)
Payable against purchase of Investments	(655)	(4,959)
Payable to Arif Habib Investment Management Limited - Management Company	76	(76)
Payable to Central Depository Company of Pakistan Limited - Trustee	(234)	91
Payable to Securities and Exchange Commission of Pakistan	2,856	2,138
	<u>(18,358)</u>	<u>(52,080)</u>
Remuneration paid to Arif Habib Investment Management Limited - Management Company	(141,549)	(93,539)
Remuneration paid to Central Depository Company of Pakistan Limited - Trustee	(10,551)	(7,235)
Dividend Paid	(286,924)	(70,769)
Net cash inflow from / (used in) operating activities	<u>(753,125)</u>	<u>835,048</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net (payment) / receipt from sale and repurchase of units	(3,721,445)	2,409,798
Net increase / (decrease) in cash and cash equivalents during the year	<u>(4,474,570)</u>	<u>3,244,846</u>
Cash and cash equivalents at the beginning of the year	5,643,153	2,398,307
Cash and cash equivalents at the end of the year	<u>1,168,583</u>	<u>5,643,153</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

**For Arif Habib Investment Management Limited
(Management Company)**

Chief Executive

Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED 30TH JUNE 2008**

	2008 ----- Rupees in '000 -----	2007 ----- Rupees in '000 -----
Net assets at the beginning of the year	9,405,960	5,686,587
Issue of 1,008,789,374 units (2007: 674,984,353 units)	52,312,234	18,014,052
Redemption of 1,086,475,476 units (2007: 617,476,914 units)	(56,190,230)	(14,889,982)
	(3,877,996)	3,124,070
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to Income Statement	(13,142)	(251,641)
- amount representing (income) / loss that form part of unit holders' fund - transferred to Distribution Statement	30	1,947
	(13,112)	(249,694)
Diminution in respect of Term Finance Certificates transferred to the Income Statement on redemption / disposal	-	(430)
Net unrealised appreciation / (diminution) during the year in market value of securities classified as 'available for sale'	(2)	2
Issue of 8,293,107 interim bonus units (2007: Nil)	417,558	-
Issue of 17,727,897 bonus units for the year ended 30 th June 2007 (2006: 8,883,748 bonus units)	890,295	445,165
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised diminution	(30)	(1,947)
Net income for the year	842,173	918,141
Interim distribution @ Rs. 3.30 per unit announced on 29 th March 2008 (2007: Nil)		
Cash Distribution	(286,924)	-
Issue of bonus units	(417,558)	-
Final distribution @ Rs. 5.25 per unit for the year ended 30 th June 2007 announced on 4 th July 2007 (2006: @ 5.00 per unit announced on 4 th July 2006) - issue of bonus units	(890,295)	(515,934)
	(752,634)	400,260
Net assets at 30 th June	6,070,069	9,405,960

The annexed notes 1 to 29 form an integral part of these financial statements.

**For Arif Habib Investment Management Limited
(Management Company)**

Chief Executive

Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2008**

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Fund (PIF) was established under a Trust Deed executed between Arif Habib Investment Management Limited (AHIML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 23rd October 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 28th February 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 2/1, R.Y.16, Old Queens Road, Karachi, Pakistan.

PIF is an open-ended mutual fund and is listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The policy of the Fund is to invest in a mix of Continuous Funding System (CFS) transactions, investment-grade debt securities, government securities, money market instruments and short-term reverse repurchase transactions.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned asset manager rating of AM2 to the Management Company and 5-star normal and 5-star long term to the Fund.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Amendments to published accounting standards effective in 2008

Amendments to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces certain new disclosures about the level of and the management of the Fund's capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 23 of these financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1st July 2007 which are not considered relevant nor have any significant effect on the Fund's operations are not detailed in these financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1st January 2008 are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of Financial Statements (Revised September 2007)	effective from 1 st January 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from 1 st January 2009
Amendments to IAS 27 (Revised) - Consolidated and Separate Financial Statements	effective from 1 st July 2009
IFRS 3 (Revised) - Business Combinations	effective from 1 st July 2009

IFRS 7 - Financial Instruments: Disclosure	effective from 28 th April 2008
IFRS 8 - Operating Segments	effective from 1 st January 2009
IFRIC 12 - Service Concession Arrangements	effective from 1 st January 2008
IFRIC 13 - Customer Loyalty Programmes	effective from 1 st July 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their interaction	effective from 1 st January 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from 1 st January 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from 1 st October 2008

2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgement was exercised in application of accounting policies are as follows:

Classification and valuation of investments (note 3.1)

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair value.

2.6 Functional and Presentation Currency

The financial statements are presented in Pak Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the asset.

The management determines the appropriate classification of the investments made by the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'Financial assets at fair value through profit or loss'. These investments are marked to market using the closing market rates at the end of each day and are carried on the Statement of Assets and Liabilities at fair value. Net gains and losses arising on changes in fair value of these investments are taken to the Income Statement.

Investments in unquoted debt securities, if any, are carried at fair value.

b) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

Investments categorised as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available for sale is impaired. If evidence of impairment exists, the cumulative loss recognised in equity is removed from equity and recognised in the income statement.

Investments in unquoted debt securities, if any, are carried at fair value.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

Transaction costs are included in the initial measurement of all financial assets and liabilities except for transaction costs incurred at acquisition of financial assets at 'fair value through profit or loss' and transaction cost that may be incurred on disposal which are charged as expense when incurred.

3.2 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at fair value. Subsequently, these investments are carried at amortised cost.

3.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.4 a) Basis of valuation of Term Finance Certificates

During the current year, with effect from 19th December 2007, the management changed the basis for the determination of the fair value of investments in Term Finance Certificates (TFCs). The investment of the Fund in TFCs is now valued at the rates notified by the Mutual Funds Association of Pakistan. This change has been made to comply with the requirements of Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007. Uptil 18th December 2007, investments of the Fund in TFCs had been valued on the following basis:

- i) Using the rates of the last transaction (purchase or sale) executed by the Fund in the relevant TFCs, adjusted for the effect of partial redemption, if any, in the TFCs after the date of transaction; or
- ii) Using the quotes available at the stock exchange adjusted for the effect of partial redemption.

The revaluation of TFCs using the rate of the last transaction executed by the Fund in the TFC was not in accordance with the requirement of Rule 2(xxxiv) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which required that securities which are quoted on the stock exchange should be valued at its last sale price on such exchange on the date on which it is valued. The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 were amended on 21st November 2007 and the requirements to compute the net assets of a collective investment scheme are now laid down in Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

The Management believes that the policy previously adopted by the Fund was fair to all investors and protected their interests.

Had all the Term Finance Certificates been valued upto 18th December 2007 on the basis of the quotes available at the stock exchange, the net asset value of the Fund calculated during the year would have been different and consequently the number of units issued / redeemed during the year as well as element of income / loss and capital gains/ losses included in the prices of units issued less those in units redeemed recorded by the Fund would also have been different. These effects have not been quantified as it was impracticable to do so.

3.4 b) Basis of valuation of Government Securities

During the current year, with effect from 26th November 2007, the management changed the basis for the determination of fair value of investment in government securities. The investment of the Fund in government securities is now valued on the basis of rates of these securities announced by the Financial Market Association. This change has been made to comply with the requirements of Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

Uptil 25th November 2007, investments of the Fund in government securities had been valued using the average of the mid-rates obtained from reputable brokerage houses. This practice was not in accordance with the requirement of Rule 2(xxxiv) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which required these securities to be carried at the investment price. The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 were amended on 21st November 2007 and the requirements to compute the net assets of a collective investment scheme are now laid down in Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

The Management believes that the policy previously adopted by the Fund was fair to all investors and protected their interests and the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2007 confirm the same.

Had the government securities been valued at their investment price upto 25th November 2007 as required by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the net asset value of the Fund calculated during the year would have been different and consequently the number of units issued / redeemed during the year as well as element of income / loss and capital gains / losses included in the prices of units issued less those in units redeemed recorded by the Fund would also have been different. These effects have not been quantified as it was impracticable to do so.

3.5 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities, including the securities purchased under continuous funding system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions / against continuous funding system transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions / continuous funding system and accrued over the life of the reverse-repo agreement.

All reverse repo / continuous funding system transactions are accounted for on the settlement date.

3.6 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption request during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.7 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.8 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.9 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.10 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.11 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

3.12 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. Accordingly, no tax liability has been recorded for the current year.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.13 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs have been amortised over a period of five years starting from the commencement of operations of the Fund.

3.14 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.15 Financial assets and financial liabilities

Financial assets carried on the Statement of Assets and Liabilities include bank balances, investments, receivable against sale of investments, receivable against sale of units, receivable against Continuous Funding System (CFS) transactions, dividend and profit receivable, advances, deposits and other receivables.

Financial liabilities carried on the Statement of Assets and Liabilities include payable to Arif Habib Investment Management Limited – Management Company, payable to Central Depository Company of Pakistan Limited – Trustee, payable against purchase of investments, payable on redemption of units and accrued expenses and other liabilities.

3.16 Impairment

The carrying value of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

3.17 Revenue recognition

Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

Unrealised capital gains / (losses) arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the period in which they arise.

Dividend income is recognised when the right to receive the payment is established.

Profit on bank deposits is recognised on an accrual basis.

Profit on investment is recognised on an accrual basis.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances.

3.19 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Income Statement within the fair value net gain or loss.

4	BANK BALANCES	Note	30th June 2008	30th June 2007
----- Rupees in '000 -----				
	In current accounts		20,492	8,489
	In deposit accounts		1,148,091	5,634,664
			<u>1,168,583</u>	<u>5,643,153</u>
5	INVESTMENTS			
	Investments at fair value through profit or loss			
	Equity securities purchased under future sale contracts	5.2	394	-
	Term Finance Certificates	5.3	2,323,555	1,476,624
			<u>2,323,949</u>	<u>1,476,624</u>
	Available for sale			
	Government Securities	5.4	-	24,900
			<u>-</u>	<u>24,900</u>
	Total		<u>2,323,949</u>	<u>1,501,524</u>
5.1	Net unrealised appreciation / (dimunition) in value of investments at fair value through profit or loss - net			
	Fair value of investments		2,323,949	1,476,624
	Less: Cost of investments		(2,284,878)	(1,451,421)
			<u>39,071</u>	<u>25,203</u>
	Less: Net unrealised appreciation in fair value of investments at fair value through profit or loss at the beginning of the year		(25,203)	(5,016)
	Less: Realised on disposal during the year		(1,676)	(1,501)
			<u>(26,879)</u>	<u>(6,517)</u>
			<u>12,192</u>	<u>18,686</u>

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5.2 Equity securities purchased under futures sale contracts

These securities are held under Ready-Future transactions. These securities are purchased in the ready "T+2" market and simultaneously sold in the futures market. PIF has no open exposure to the stock market. The details are as follows:

Name of the Investee Company	Number of shares					Balance as at 30 th June 2008			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at 1 st July 2007	Purchases during the year	Bonus/ Right issue	Sales during the year	As at 30 th June 2008	Cost	Market Value	Appreciation / (Diminution)		
-----Rupees in '000-----										
Fully paid ordinary shares of Rs 10 each										
Investment Banks/ COS/ Securities										
Jahangir Siddiqui & Company Limited	-	435,000	-	435,000	-	-	-	-	-	-
Insurance										
Adanjee Insurance Company Limited	-	140,000	-	140,000	-	-	-	-	-	-
Textile Composite										
Nishat Mills Limited	-	510,500	-	510,500	-	-	-	-	-	-
Azgard Nine Limited	-	151,500	-	151,500	-	-	-	-	-	-
Cement										
D. G. Khan Cement Limited	-	625,500	-	625,500	-	-	-	-	-	-
Lucky Cement Limited	-	71,000	-	71,000	-	-	-	-	-	-
Maple Leaf Cement	-	231,000	-	231,000	-	-	-	-	-	-
Pioneer Cement Limited	-	11,000	-	11,000	-	-	-	-	-	-
Engineering										
Crescent Steel and Allied Products Limited	-	19,500	-	19,500	-	-	-	-	-	-
Chemicals										
ICI Pakistan Limited	-	8,000	-	8,000	-	-	-	-	-	-
Sitara Peroxide Limited	-	421,000	-	414,000	7,000	373	380	7	0.01%	0.02%
Paper & Board										
Packages Limited	-	7,000	-	7,000	-	-	-	-	-	-
Commercial Banks										
National Bank of Pakistan	-	2,953,000	-	2,953,000	-	-	-	-	-	-
MCB Bank Limited	-	2,365,500	-	2,365,500	-	-	-	-	-	-
Askari Bank Limited	-	411,000	-	411,000	-	-	-	-	-	-
The Bank of Punjab	-	3,759,500	-	3,759,500	-	-	-	-	-	-
Faysal Bank Limited	-	443,500	-	443,500	-	-	-	-	-	-
Bank Al Falah Limited	-	793,500	-	793,500	-	-	-	-	-	-
Soneri Bank Limited	-	500	-	500	-	-	-	-	-	-
United Bank Limited	-	321,000	-	321,000	-	-	-	-	-	-
NIB Bank Limited	-	1,789,000	-	1,789,000	-	-	-	-	-	-
Habib Bank Limited	-	54,000	-	54,000	-	-	-	-	-	-
JS Bank Limited	-	499,500	-	499,500	-	-	-	-	-	-
Refinery										
Attock Refinery Limited	-	248,500	-	248,500	-	-	-	-	-	-
Power Generation & Distribution										
The Hub Power Company Limited	-	531,500	-	531,000	500	14	14	-	-	-
Kot Addu Power Company Limited	-	50,500	-	50,500	-	-	-	-	-	-
Oil & Gas Marketing Cos.										
Pakistan State Oil Company Limited	-	260,000	-	260,000	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	-	129,000	-	129,000	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	3,000	-	3,000	-	-	-	-	-	-
Oil & Gas Exploration Cos										
Oil & Gas Development Company Limited	-	373,500	-	373,500	-	-	-	-	-	-
Pakistan Oilfield Limited	-	899,000	-	899,000	-	-	-	-	-	-
Pakistan Petroleum Limited	-	1,442,500	-	1,442,500	-	-	-	-	-	-
Technology & Communication										
Pakistan Telecommunication Company Limited	-	91,000	-	91,000	-	-	-	-	-	-
Netsol Technologies Limited	-	347,000	-	347,000	-	-	-	-	-	-
Fertilizer										
Fauji Fertilizer Company Limited	-	180,000	-	180,000	-	-	-	-	-	-
Engro Chemical Pakistan Limited	-	331,000	-	331,000	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	1,683,000	-	1,683,000	-	-	-	-	-	-
Miscellaneous										
Pace Pakistan Ltd.	-	513,500	-	513,500	-	-	-	-	-	-
						387	394	7		

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5.3 Term Finance Certificates

Name of the Investee Company	Number of certificates				Balance as at 30 th June 2008			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at 1 st July 2007	Purchases during the year	Sales during the year	Redemptions during the Year	As at 30 th June 2008	Cost	Market Value		
----- (Rupees in '000) -----									
Allied Bank Limited (06-12-06)	22,000	-	8,400	-	13,600	67,959	72,064	4,105	3.10%
Askari Bank Limited - (04-02-05)	25,200	-	400	-	24,800	123,981	128,013	4,032	5.51%
Askari Bank Limited - (31-10-05)	11,405	-	200	-	11,205	55,614	57,917	2,303	2.49%
Bank AL Falah Limited - (19-12-02)	8,383	-	-	-	8,383	21,261	21,012	(249)	0.90%
Bank AL Falah Limited - (23-11-04)	21,000	-	200	-	20,800	104,092	107,630	3,538	4.63%
Bank AL Falah Limited - (25-11-05)	19,000	-	-	-	19,000	95,038	98,268	3,230	4.23%
Bank Al Habib Limited (07-02-07)	28,520	-	200	-	28,320	141,993	150,503	8,510	6.48%
Bank Al Habib Limited (15-07-04)	9,747	-	-	-	9,747	47,616	46,477	(1,139)	2.00%
Century Paper and Board Ltd - Sukuk Certificates (25-09-07)	-	5,000	5,000	-	-	-	-	-	-
Engro Chemical Pakistan Limited - TFC4 (18-03-08)	-	64,600	5,000	-	59,600	298,000	303,215	5,215	13.05%
Engro Chemical Pakistan Limited (30-11-07)	-	30,000	-	-	30,000	149,970	151,590	1,620	6.52%
Engro Chemicals Pakistan Limited - Sukuk Certificates (06-09-07)	-	6,500	6,500	-	-	-	-	-	-
Escorts Investment Bank Ltd - (15-03-07)	3,016	-	-	-	3,016	15,254	15,514	260	0.67%
First Dawood Investment Bank Limited - II	2,054	-	-	2,054	-	-	-	-	-
Faysal Bank Limited - (12-11-07)	-	20,000	-	-	20,000	97,432	102,689	5,257	4.42%
Itehad Chemicals Limited - (27-06-03)	2,952	-	-	2,952	-	-	-	-	-
Jahangir Siddiqui & Co Ltd - (30-09-05)	9,000	-	-	-	9,000	44,955	45,306	351	1.95%
Jahangir Siddiqui & Co. TFC5 (04-07-07)	-	20,000	10,200	-	9,800	48,990	49,519	529	2.13%
MCB Bank Limited (10-08-02)	3,456	-	-	3,456	-	-	-	-	-
NIB Bank Limited - (05-03-08)	-	12,798	-	-	12,798	63,990	64,783	793	2.79%
Orix Leasing Pakistan Limited - (25-05-07)	31,000	-	-	-	31,000	152,859	157,463	4,604	6.78%
Pak Arab Fertilizers Limited - (28-02-08)	-	43,447	43,447	-	-	-	-	-	-
Pakistan Services Limited (12-11-03)	6,000	-	6,000	-	-	-	-	-	-
Pakistan Mobile Communication Ltd.	-	40,000	-	40,000	-	-	-	-	-
Pakistan Mobile Communication Ltd. (4th Issue) (01-10-07)	-	35,000	-	-	35,000	175,000	174,265	(735)	7.50%
ABN Amro Bank Limited (12-11-04)	1,090	-	1,090	-	-	-	-	-	-
Searle Pakistan Limited - (09-03-06)	4,000	-	-	-	4,000	14,994	15,169	175	0.65%
Standard Chartered Bank (Pakistan) Limited - (21-12-02)	12,995	-	-	12,995	-	-	-	-	-
Standard Chartered Bank (Pakistan) Limited - (20-01-04)	1,092	-	-	-	1,092	76,863	79,032	2,169	3.40%
Standard Chartered Bank (Pakistan) Limited - (01-02-06)	15,000	-	-	-	15,000	4,911	5,401	490	0.23%
Telecard Limited - (27-05-05)	19,980	-	-	-	19,980	68,632	55,935	(12,697)	2.41%
Trust Investment Bank Limited - (03-06-03)	4,000	-	-	4,000	-	-	-	-	-
Trust Investment Bank Limited - (15-11-05)	7,500	-	-	-	7,500	18,750	18,906	156	0.81%
United Bank Limited - (08-09-06)	34,432	-	400	-	34,032	171,008	178,425	7,417	7.68%
United Bank Limited - (14-02-08)	-	38,000	-	-	38,000	190,000	188,955	(1,045)	8.13%
World Call Telecom Ltd. - (28-11-06)	7,000	-	-	-	7,000	35,329	35,504	175	1.53%
Total						2,284,491	2,323,555	39,064	

5.3.1 All Term Finance Certificates have a face value of Rs 5,000 each.

5.3.2 The above includes Term Finance Certificates with fair value aggregating to Rs 591.074 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the fund's trades in terms of circular No. 11 dated 23rd October 2007, issued by SECP.

5.4 Government Securities

Issuedate	Tenor	Face Value				Balance as at 30 th June 2008	Fair value as at 30 th June 2008	Fair Value as a % of net assets
		Balance as at 1 st July 2007	Purchases during the year	Sale during the year	Matured during the year			
----- (Rupees in '000) -----								
Pakistan Investment Bonds								
31 st December 2002	5 Years	-	30,000	-	30,000	-	-	-
22 nd August 2007	5 Years	-	25,000	25,000	-	-	-	-
22 nd August 2007	10 Years	-	25,000	25,000	-	-	-	-
22 nd August 2007	3 Years	-	25,000	25,000	-	-	-	-
19 th May 2006	3 Years	25,000	-	25,000	-	-	-	-
		25,000	105,000	100,000	30,000			
Treasury Bills								
28 th September 2006	12 Months	-	30,000	-	30,000	-	-	-
13 th September 2007	12 Months	-	300,000	300,000	-	-	-	-
27 th September 2007	12 Months	-	1,000,000	1,000,000	-	-	-	-
12 th October 2006	12 Months	-	30,000	-	30,000	-	-	-
23 rd November 2006	12 Months	-	725,000	-	725,000	-	-	-
15 th February 2007	12 Months	-	500,000	-	500,000	-	-	-
			2,585,000	1,300,000	1,285,000			

PAKISTAN INCOME FUND

	30 th June 2008	30 th June 2007
	----- Rupees in '000 -----	
6 LOANS AND RECEIVABLES		
Certificate of investments	300,000	-
Term deposit receipts	525,000	-
	<u>825,000</u>	<u>-</u>

7 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM (CFS) TRANSACTIONS

The rates of return on these transactions range between 14.49% to 30% (2007: 9.78% to 19.78%) per annum. Fair value of the collaterals accepted against the above receivable balance as at 30th June 2008 amounted to Rs 1,045 million (2007: Rs 1,585 million).

	Note	30 th June 2008	30 th June 2007
		----- Rupees in '000 -----	
8 DIVIDEND AND PROFIT RECEIVABLE			
Income accrued on Continuous Funding System (CFS) transactions		9,522	8,698
Income accrued on Term Finance Certificates		78,040	48,165
Income accrued on Term Deposit Receipts		1,201	-
Income accrued on Certificate of Investments		11,178	-
Income accrued on Pakistan Investment Bonds		-	267
Profit receivable on bank deposits		10,014	35,858
Dividend receivables		263	12,733
		<u>110,218</u>	<u>105,721</u>

9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance tax		3,827	3,778
Transaction cost receivable		1	1
Prepaid expenses		902	86
Receivable from Pakistan Capital Market Fund		1,031	18,732
Receivable from Pakistan Stock Market Fund		7,999	-
Receivable from Pakistan International Element Islamic Fund		317	-
Deposit with National Clearing Company of Pakistan Limited		5,071	1,000
Deposit with Central Depository Company of Pakistan Limited		200	200
Advance against purchase of TFCs	9.1	350,000	346,880
		<u>369,348</u>	<u>370,677</u>

9.1 This represents investments in Pre-IPO Term Finance Certificates of Pakistan Mobile Communication Limited and Trust Investment Bank Limited (2007: Faysal Bank Limited, Jahangir Siddique and Company Limited and Engro Chemical Pakistan Limited).

	Note	30 th June 2008	30 th June 2007
		----- Rupees in '000 -----	
10 PAYABLE TO ARIF HABIB INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management Fee	10.1	5,426	10,778
Front end load		189	113
		<u>5,615</u>	<u>10,891</u>

10.1 Upto 15th May 2008, the management fee was being calculated at the rate of 1.5 percent of the average annual net assets of the Fund. From 16th May 2008 onwards, management fee is being calculated at the rate of 1 percent of average annual net assets of the Fund. The remuneration is paid to the management Company monthly in arrears.

	Note	30 th June 2008	30 th June 2007
		----- Rupees in '000 -----	
11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	11.1	625	801
CDS charges		87	321
		<u>712</u>	<u>1,122</u>

11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

PAKISTAN INCOME FUND

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30th June 2008 is as follows:

Amount of Funds Under Management (Average NAV)

Upto Rs. 1,000 million
On an amount exceeding Rs 1,000 million

Tariff per annum

Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million

The remuneration is paid to the trustee monthly in arrears.

12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to one-tenth of one percent of the average annual net assets of the scheme.

13 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' Remuneration
Brokerage Payable
Payable to Pakistan Stock Market Fund
Payable to Pakistan International Element Islamic Fund
Other Payable
Unrealised gain / (loss) on revaluation of futures contracts

30th June 2008
30th June 2007
----- Rupees in '000 -----

Auditors' Remuneration	380	310
Brokerage Payable	2,005	1,093
Payable to Pakistan Stock Market Fund	-	10,046
Payable to Pakistan International Element Islamic Fund	-	203
Other Payable	1,557	12,691
Unrealised gain / (loss) on revaluation of futures contracts	46	-
	<u>3,988</u>	<u>24,343</u>

14 COMMITMENTS

Continuous Funding System (CFS) transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at year end

112,130

2,470,772

Spread Transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at year end

362

-

15 BORROWING COST

Repo charges
Markup on running finance

1,293

-

1,382

-

2,675

-

15.1 The Fund has a facility of short term running finance with Arif Habib Bank Limited amounting to Rs 1,000 million (2007: nil). The rate of mark-up on funds utilized is six month KIBOR (average ask side) plus 25 bps. This arrangement is secured by pledge of Term Deposit Receipt under lien in favour of the Bank.

30th June 2008
30th June 2007
----- Rupees in '000 -----

16 AUDITORS' REMUNERATION

Annual audit fee
Half yearly review fee
Other certifications and services
Out of pocket expenses

175

150

80

50

445

325

8

39

708

564

17 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investment Management Limited being the Management Company, Arif Habib Limited, Arif Habib Securities Limited and Arif Habib Bank Limited (Formerly: Arif Habib Rupali Bank Limited) being companies under common management, Central Depository Company Limited being the trustee, other collective investment schemes managed by the management company and directors and officers of the management company.

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The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to Management Company and trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

17.1 Details of the transactions with connected persons are as follows:

	Note	2008 (Rupees in '000)	2007
Management Company			
Arif Habib Investment Management Limited			
Issue of 1,507 bonus units (2007: 17,720 units)		76	888
Redemption of 15,918 units (2007: 180,897 units)		850	10,000
Management Fee for the year		136,197	97,792
Sales load for the year		11,154	8,629
Transaction cost for the year		-	252
Associated Companies			
Arif Habib Securities Limited			
Issue of 9,763,718 units (2007: Nil)		500,000	-
Issue of 1,573 bonus units (2007: 806 units)		79	40
Redemption 9,774,178 units (2007: Nil)		501,709	-
Arif Habib Bank Limited			
Issue of 60,574,823 units (2007: 58,357,607 units)		3,138,761	3,145,000
Issue of 849,458 bonus units (2007: Nil)		42,660	-
Redemption of 69,549,958 units (2007: 50,231,930 units)		3,596,860	2,721,389
Investment in Term Deposit Receipt		1,500,000	-
Term Deposit Receipts - Matured		1,000,000	-
Profit on bank accounts		45,552	6,411
Income from Term Deposit Receipt		32,519	-
Bank charges		108	-
Mark-up on Running Finance	15	1,382	-
Pakistan Stock Market Fund			
Issue of 5,866,250 units (2007: Nil)		300,000	-
Redemption of 5,866,250 units (2007: Nil)		300,411	-
Other related parties			
Mr. Arif Habib			
Issue of 86,212,029 units (2007: Nil)		4,500,000	-
Issue of 1,211,746 bonus units (2007: Nil)		61,011	-
Redemption of 67,991,206 units (2007: Nil)		3,529,659	-
Directors and executives of the management company			
Issue of 1,728,258 units (2007: 1,164,010 units)		89,142	61,319
Issue of 44,078 bonus units (2007: 28,303 units)		2,248	1,418
Redemption of 1,551,895 units (2007: 985,376 units)		89,142	49,392
Central Depository Company of Pakistan Limited			
Issue of 4,943,542 units (2007: Nil) during the year		260,000	-
Issue of 373,803 bonus units (2007: 281,488 units)		18,792	14,105
Redemption 5,628,000 units (2007: 989,649 units)		295,000	51,243
Trustee fee for the year		10,375	7,516
CDS charges for the year		2,744	2,894
Arif Habib Limited - Brokerage house			
Brokerage		746	4,997

PAKISTAN INCOME FUND

		2008	2007
		(Rupees in '000)	
17.2	Amounts outstanding as at the year end		
	Arif Habib Investment Management Limited		
	Units held Nil (2007: 14,412 units)	-	799
	Payable to Arif Habib Investment Management Limited - Management Company	5,615	10,891
	Transaction cost receivable	1	1
	Arif Habib Securities Limited		
	Units held Nil (2007: 8,888 units)	-	493
	Arif Habib Bank Limited		
	Units held Nil (2007: 8,125,677 units)	-	450,488
	Bank balance	1,126,194	1,496
	Investment in Term Deposit Receipt	500,000	-
	Profit receivable on bank accounts	9,981	11
	Profit receivable on Term Deposit Receipt	756	-
	Mr. Arif Habib		
	Units held 19,432,569 (2007: Nil)	1,000,000	-
	Directors and executives of the Management Company		
	Units held 449,755 (2007: 490,491 units)	23,144	27,198
	Central Depository Company of Pakistan Limited - Trustee		
	Units held 1,802,253 (2007: 2,112,908 units)	92,744	117,140
	Trustee fee payable	712	1,122
	Security deposit	200	100
	Arif Habib Limited - Brokerage house		
	Brokerage payable	16	-

18 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follow:

		2008	
		Designation	Qualification
		Experience in years	
1	Basharat Ullah	Chief Investment Officer	MBA
2	Syed Ajaz Ahmad	Chief Financial Officer	LLB / ACMA
3	Nazia Nauman	Head of Research	MBA / CFA
4	Zafar Rehman	Fund Manager	B.COM

18.1 Zafar Rehman is the Manager of the Fund. He has obtained a Bachelors degree in Commerce. Other funds beings managed by the fund manager are as follows:

Metro Bank Pakistan Sovereign Fund

19 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

		2008
1	BMA Capital Management Limited	11.29%
2	Shahzad Chamdia Securities (Pvt.) Limited	10.00%
3	Live Securities (Pvt.) Limited	8.54%
4	Noman Abid & Co. Limited	8.38%
5	JS Global & Company Limited	8.01%
6	ALFalah Securities Limited	6.28%
7	Escort Investment Bank Limited	5.45%
8	Invest & Finance Sec Limited	4.37%
9	Atlas Capital Market (Pvt.) Limited	4.22%
10	D J M Securities	4.13%

PAKISTAN INCOME FUND

	2007
1 Arif Habib Limited	10.50%
2 Atlas Capital Market (Pvt.) Limited	8.46%
3 BMA Capital Mangment Limited	6.62%
4 Live Securities (Pvt.) Limited	6.11%
5 Orix Investment Bank Pakistan Limited	6.08%
6 JS Global & Company Limited	6.05%
7 Ample Securites Limited	5.09%
8 Shahzad Chamdia Securities (Pvt). Limited	4.54%
9 First National Equities Limited	4.33%
10 Global Securities Pakistan Limited	4.31%

20 PATTERN OF UNIT HOLDING

	As at 30th June 2008		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	2,348	2,723,586	44.87
Associated companies	-	-	0.00
Directors	1	318	0.01
Insurance companies	11	200,571	3.30
Bank / DFIs	14	619,339	10.20
NBFCs	-	-	0.00
Retirement funds	190	1,134,286	18.69
Public Limited companies	6	708,977	11.68
Others	73	682,992	11.25
	2,643	6,070,069	100.00

	As at 30th June 2007		
	Numbers of units holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	4,209	1,521,845	16.18
Associated companies	3	451,998	4.80
Directors	1	131	0.00
Insurance companies	13	102,364	1.09
Bank / DFIs	36	3,585,750	38.12
NBFCs	-	-	0.00
Retirement funds	257	955,452	10.16
Public Limited companies	26	1,707,759	18.16
Others	149	1,080,661	11.49
	4,694	9,405,960	100.00

21 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 40th, 41st, 42nd, 43rd, 44th, 45th, 46th, 47th, 48th, 49th, 50th and 51st Board meetings were held on 4th July 2007, 21st July 2007, 6th October 2007, 24th October 2007, 28th November 2007, 26th January 2008, 29th March 2008, 4th April 2008, 23rd April 2008, 10th May 2008, 23rd May 2008 and 24th June 2008 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
1 Mr. Salim Chamdia	12	12	-	-
2 Mr. Nasim Beg	12	12	-	-
3 Mr. Sirajuddin Cassim	12	0	12	-
4 Mr. Muhammad Akmal Jameel	12	11	1	47 th meeting
5 Mr. Muhammad Kashif	12	6	6	40 th , 44 th , 46 th , 47 th , 48 th and 50 th meeting
6 Mr. Muhammad Shafi Malik	12	10	2	44 th and 49 th meeting
7 Mr. John Kirkham	12	2	10	42 nd to 51 st meeting
8 Mr. Mirza Qamer Beg	12	10	2	40 th and 41 st meeting

22 RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities, spread transactions, continuous funding system transactions and investments in other money market instruments. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

22.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

22.2 Credit risk

Credit risk management

Credit risk arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

22.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Management Company manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

22.4 Fair value of financial instruments

Investments on Statement of Assets and Liabilities are carried at fair value. The Management Company is of the view that the fair market value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short-term in nature.

23 CAPITAL RISK MANAGEMENT

The Fund's capital is represented by redeemable units. They are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong capital base to meet unexpected losses or opportunities. In accordance with the NBFC Regulations the Fund is required to distribute at least ninety percent of its income from sources other than capital gain as reduced by such expenses as are chargeable to the Fund.

In accordance with the risk management policies stated in note 22, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

PAKISTAN INCOME FUND

24 YIELD / INTEREST RATE RISK

24.1 The Fund is mainly exposed to mark-up / interest rate risk on its investment portfolio. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that risk is managed within acceptable limits.

As at 30 th June 2008					
Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total	
Upto three months	More than three months and upto one year	More than one year			
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	1,148,091	-	-	20,492	1,168,583
Receivable against sale of investments	149,903	-	-	-	149,903
Receivable against Continuous Funding System	1,043,412	-	-	-	1,043,412
Investments	5,754	31,096	2,286,705	394	2,323,949
Loans and receivables	800,000	25,000	-	-	825,000
Dividend and profit receivable	-	-	-	110,218	110,218
Receivable against sale of units	-	-	-	111,318	111,318
Advances, Deposits and other receivables	-	-	-	364,619	364,619
Sub Total	3,147,160	56,096	2,286,705	607,041	6,097,002
Financial liabilities					
Payable against purchase of investments	-	-	-	-	-
Payable on redemption of units	-	-	-	11,972	11,972
Payable to Arif Habib Investment Management Limited - Management Company	-	-	-	5,615	5,615
Payable to Central Depository Company of Pakistan Limited -Trustee	-	-	-	712	712
Unrealised diminution in the fair value of future contract	-	-	-	46	46
Accrued expenses and other liabilities	-	-	-	3,942	3,942
Sub Total	-	-	-	22,287	22,287
On-balance sheet gap	3,147,160	56,096	2,286,705	584,754	6,074,715
Off-balance sheet financial instruments					
CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at 30 th June 2008	112,130	-	-	-	112,130
Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the sale transaction has not been settled as at 30 th June 2008	-	-	-	362	362
Off-balance sheet gap	112,130	-	-	362	112,492

As at 30 th June 2007					
Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total	
Upto three months	More than three months and upto one year	More than one year			
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	5,634,664	-	-	8,489	5,643,153
Dividend and profit receivable	-	-	-	105,721	105,721
Receivable against Continuous Funding System	1,521,438	-	-	-	1,521,438
Investments	18,072	35,615	1,447,837	-	1,501,524
Advances, deposits, prepayments and other receivables	-	-	-	366,813	366,813
Receivable against sale of Investments	-	-	-	51,080	51,080
Receivable against sale of units	-	-	-	264,830	264,830
Sub Total	7,174,174	35,615	1,447,837	796,933	9,454,559
Financial liabilities					
Payable against purchase of investment	-	-	-	655	655
Payable on redemption of units	-	-	-	8,933	8,933
Payable to Arif Habib Asset Management Limited Management Company	-	-	-	10,891	10,891
Central Depository Company Pakistan Limited - Trustee	-	-	-	1,122	1,122
Accrued expenses and other liabilities	-	-	-	24,343	24,343
Sub Total	-	-	-	45,944	45,944
On-balance sheet gap	7,174,174	35,615	1,447,837	750,989	9,408,615
Off-balance sheet financial instruments					
CFS transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at 30 th June 2007	2,470,772	-	-	-	2,470,772
Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the sale transaction has not been settled as at 30 th June 2007	-	-	-	-	-
Off-balance sheet gap	2,470,772	-	-	-	2,470,772

24.2 The rates of return on financial instruments are as follows:

	Percentage per annum	
	2008	2007
Bank balances	5 to 10.5	8 to 10.75
Receivable against Continuous Funding System	14.43 to 30	9.78 to 19.78
Investments	10 to 17.39	9.1 to 13.9
Loans and receivables	10 to 13.79	-

25 MATURITIES OF ASSETS AND LIABILITIES

	As at 30 th June 2008			
	Total	Upto three months	More than three months and upto one year	More than one year
	----- Rupees in '000 -----			
Assets				
Bank balances	1,168,583	1,168,583	-	-
Receivable against sale of investment	149,903	149,903	-	-
Receivable against continuous funding system transactions	1,043,412	1,043,412	-	-
Investments	2,323,949	6,148	31,096	2,286,705
Loans and receivables	825,000	800,000	25,000	-
Dividend and profit receivable	110,218	110,218	-	-
Advances, deposits, prepayments and other receivables	369,348	364,618	902	3,828
Receivable against sale of units	111,318	111,318	-	-
	<u>6,101,731</u>	<u>3,754,200</u>	<u>56,998</u>	<u>2,290,533</u>
Liabilities				
Payable against purchase of investments	-	-	-	-
Payable on redemption of units	11,972	11,972	-	-
Payable to Arif Habib Investment Management Limited - Management Company	5,615	5,615	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	712	712	-	-
Payable to Securities & Exchange Commission of Pakistan	9,375	9,375	-	-
Unrealised diminution in the fair value of future contracts	46	46	-	-
Accrued expenses and other liabilities	3,942	3,942	-	-
	<u>31,662</u>	<u>31,662</u>	<u>-</u>	<u>-</u>
	<u>6,070,069</u>	<u>3,722,538</u>	<u>56,998</u>	<u>2,290,533</u>
	----- Rupees in '000 -----			
	As at 30 th June 2007			
	Total	Upto three months	More than three months and upto one year	More than one year
Assets				
Bank balances	5,643,153	5,643,153	-	-
Receivable against sale of investment	51,080	51,080	-	-
Receivable against continuous funding system transactions	1,521,438	1,521,438	-	-
Investments	1,501,524	18,072	35,615	1,447,837
Dividend and profit receivable	105,721	105,721	-	-
Advances, deposits, prepayments and other receivables	370,677	268,819	96,880	4,978
Receivable against sale of units	264,830	264,830	-	-
	<u>9,458,423</u>	<u>7,873,113</u>	<u>132,495</u>	<u>1,452,815</u>
Liabilities				
Payable against purchase of investments	655	655	-	-
Payable on redemption of units	8,933	8,933	-	-
Payable to Arif Habib Investment Management Limited - Management Company	10,891	10,891	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	1,122	1,122	-	-
Payable to Securities & Exchange Commission of Pakistan	6,519	6,519	-	-
Unrealised diminution in the fair value of future contracts	-	-	-	-
Accrued expenses and other liabilities	24,343	24,343	-	-
	<u>52,463</u>	<u>52,463</u>	<u>-</u>	<u>-</u>
	<u>9,405,960</u>	<u>7,820,650</u>	<u>132,495</u>	<u>1,452,815</u>

26 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in its meeting held on 3rd July 2008 has proposed a final distribution in respect of the year ended 30th June 2008 of Rs 1.45 per unit (2007: Rs. 5.25 per unit) amounting to Rs. 170.973 million (2007: 890.295 million). The financial statements for the year ended 30th June 2008 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending 30th June 2009

27 CORRESPONDING FIGURES

Receivable against sale of units amounting to Rs 264,830 thousand has been reclassified from "Bank balances" to "Receivable against sale of units".

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 25th July 2008 by the Board of Directors of the Management Company.

29 GENERAL

Figures have been rounded off to the nearest thousand rupees.

**For Arif Habib Investment Management Limited
(Management Company)**

Chief Executive

Director

**PATTERN OF UNIT HOLDING (BY SIZE)
AS AT 30TH JUNE 2008**

No. of Unit Holders	Units Holdings		Total Units Held
	FROM	TO	
405	1	100	13,882.5500
329	101	500	81,754.2100
155	501	1000	117,765.0800
623	1001	5000	1,588,355.9100
287	5001	10000	2,109,984.4500
152	10001	15000	1,852,370.0900
138	15001	20000	2,455,427.5500
80	20001	25000	1,800,019.5600
55	25001	30000	1,506,016.8700
27	30001	35000	861,991.8400
41	35001	40000	1,543,849.5900
41	40001	45000	1,727,984.8200
26	45001	50000	1,229,167.6100
23	50001	55000	1,200,820.1700
23	55001	60000	1,324,674.3600
24	60001	65000	1,479,140.5577
12	65001	70000	813,509.3000
14	70001	75000	1,017,452.2400
12	75001	80000	925,738.3600
9	80001	85000	737,681.5800
5	85001	90000	443,653.9400
5	90001	95000	458,407.6000
10	95001	100000	977,454.1100
7	100001	105000	726,806.7500
7	105001	110000	752,953.4100
7	110001	115000	787,813.7000
6	115001	120000	703,200.6400
5	120001	125000	611,826.0700
4	125001	130000	512,584.5900
4	130001	135000	525,257.9700
6	135001	140000	821,932.2000
3	140001	145000	421,372.0600
4	145001	150000	593,579.0500
1	150001	155000	152,017.4800
1	155001	160000	155,538.0400
4	160001	165000	649,037.1200
1	165001	170000	166,613.3800
4	170001	175000	689,045.9500
2	175001	180000	358,916.1100
3	180001	185000	544,376.7200
2	185001	190000	373,809.9300
3	190001	195000	576,618.0000
2	195001	200000	391,739.0100
1	200001	205000	203,113.3700
1	210001	215000	213,830.8300
2	215001	220000	435,354.4500
4	220001	225000	888,407.1300
1	225001	230000	228,455.6500
1	230001	235000	234,647.5000
1	235001	240000	235,861.5700
1	240001	245000	242,367.7200
3	245001	250000	743,700.3900
2	250001	255000	503,378.3400
1	255001	260000	258,184.9400
1	265001	270000	269,099.1800
1	285001	290000	285,574.7800
1	290001	295000	292,094.3600
49	Above 300000		76,096,665.3199
2,642	TOTAL UNITS:		117,912,876.0576

**DETAILS OF PATTERN OF HOLDING (UNITS)
AS AT 30TH JUNE 2008**

	<u>Units Held</u>
Directors and CEO <i>Chief Executive</i> Nasim Beg	6,170
Public Limited Companies	13,772,065
Banks and Financial Institutions	12,030,850
Insurance Companies	3,896,154
Individuals	52,906,467
Retirements Funds	22,033,845
Modarbas & Mutual Fund	-
Other Corporate Sector Entities	6,520,856
Non Profit Organizatons	6,746,469
TOTAL	<u><u>117,912,876</u></u>

PERFORMANCE TABLE

	2008	2007	2006	2005	2004	2003	2002 ¹
 (Rupees in '000)						
Net assets	6,070,069	9,405,960	5,686,587	3,706,552	3,400,528	1,499,901	309,667
Net income	842,173	918,141	523,839	315,810	284,423	154,299	10,679
 Announcement date of distribution						
Interim	29/Mar/2008						
Final	3/Jul/2008	4/Jul/2007	4/Jul/2006	4/Jul/2005	5/Jul/2004	3/Jul/2003	1/Jul/2002
 (Percentage)						
Total return of the fund	9.23	10.70	10.11	9.63	7.49	13.03	12.76
Annual dividend distribution	9.50³	10.50 ³	10.00 ³	9.60 ²	9.00 ²	12.00 ²	3.50 ²
Capital Growth	(0.23)	0.22	0.12	0.04	(1.38)	1.08	1.25
Average annual return (CAGR):							
One Year	9.23	10.70	10.11	9.63	7.49	13.03	12.76
Second Year	9.97	10.40	9.89	8.56	10.18	-	-
Third Year	10.03	10.16	9.07	10.01	-	-	-
 (Rupees)						
NAV per unit	51.48	55.47	55.11	54.85	54.53	56.73	51.94
Highest offer price per unit	54.36	56.20	55.83	55.60	55.28	57.51	54.27
Lowest offer price per unit	50.95	50.80	50.76	50.62	51.47	52.57	52.49
Year end offer price per unit	52.16	56.20	55.83	55.55	55.26	57.50	54.27
Highest repurchase price per unit	53.63	55.44	55.08	54.85	54.53	56.73	51.83
Lowest repurchase price per unit	50.26	50.11	50.07	49.94	50.78	50.20	50.13
Year end repurchase price per unit	51.46	55.44	55.08	54.80	54.51	56.72	51.83
Interim distribution per unit	3.30	-	-	-	-	-	-
Final distribution per unit	1.45	5.25	5.00	4.80	4.50	6.00	1.75
Total distribution per unit	4.75	5.25	5.00	4.80	4.50	6.00	1.75

Fund keeps the average duration of its portfolio less than two years.

¹ First year of operations from 1st March 2002 to 30th June 2002.

² This represents distribution in form of bonus units.

³ Unit holders who have opted for cash payout will receive cash payments accordingly.

Disclaimer

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.